

Mellon Trust Daily Pricing Procedures for PERSI

General

Market Value

In general, for securities which have “readily available market quotations” market quotations can be obtained from independent pricing services. Foreign equity securities are valued based upon the last sale price on the foreign exchange or market on which they are principally traded as of the close of the appropriate exchange or, if there have been no sales during the day, at the last bid prices. Equity securities listed or traded on any domestic (U.S.) securities exchange are valued at the last sale price or if there have been no sales during the day, at the last bid prices. Domestic and foreign fixed income securities and other assets for which market quotations are readily available are valued at market value on the basis of quotes obtained from pricing services, which take into account appropriate factors such as institutional-sized trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics and other market data. Non-U.S. dollar securities are translated into U.S. dollars using the spot exchange rate at the close of the London market.

Market Quotation not available

Market quotations may not be available for a variety of reasons, including:

- ☐ Trading on a security may be suspended
- ☐ There is a problem with the pricing service providing prices
- ☐ The security is not actively traded

If the market quotation is not received automatically from the designated pricing service, a review of the other pricing services will be done to determine if any service provided the market quotation. If no service has provided the market quotation, the last trade price from the Bloomberg terminal will be used. If the last trade price is not available, the advisor will be contacted to provide a market price. If the advisor does not provide a market price, the last price from our system (stale price) will be used.

Specific exceptions

Limited Partnerships

Each Friday, Hamilton Lane Advisors, PERSI’s private equity consultant, will provide the updated market value for each limited partnership account. The limited partnership will be priced so the market value matches the market value provided by Hamilton Lane. If the limited partnership declares a capital call during the month, the market value of the limited partnership will be increased by the amount of the capital call. If the limited partnership declares a distribution, Hamilton Lane will provide the details of the total amount distributed, including return of capital, gain/loss on sale of asset, and income. Mellon Trust will reflect these details in posting the distribution.

Prudential Real Estate

Prudential Real Estate will provide updated market values for the investments within the account quarterly, usually within 30 days of the end of the quarter. The investments within the account will be priced so the market value matches the market value provided by Prudential.

If additional capital is invested in Prudential, the market value of the account will be increased by the amount of the new capital. When a distribution is declared, Prudential will provide details of the total amount distributed including return of capital, gain/loss on sale of asset and income. Mellon Trust will reflect these details in posting the distribution. If Prudential is not able to provide sufficient detail on the day of the distribution, Mellon Trust will treat the entire distribution as a sale, using the latest price provided by Prudential. Upon receiving the details of the distribution or the quarterly statement, Mellon will reverse the sale entry and process the distribution in the current period according to the information received from Prudential.

Zesiger Capital Group – Private Placements

The Zesiger Capital Group Private Placement account (PSIF0761882) holds numerous private placement securities. These include securities which cannot be traded in the open market and securities which are traded in the open market but are restricted for a period of time and therefore should be priced at a discount from market quotation. Each day by 4:30 p.m. (ET), Zesiger will provide the prices for the securities in their account which cannot be priced by a pricing service. If Zesiger is unable to provide a price for the current day, the latest price Zesiger has provided will be used.

DB Fitzpatrick - Commercial Mortgage Portfolio

The DB Fitzpatrick Idaho Mortgage account (PSIF0761272) will be priced using the worksheet provided by DB Fitzpatrick (appendix A). The beginning market value is received from Wells Fargo (formerly First Security Bank) on the first business day of the month. On a daily basis, Mellon Trust will insert into the worksheet the yield of the 1 year, 3 year, 5 year, 7 year and 10 year US Treasuries found on the Bloomberg terminal to determine the current day's market value. Throughout the month, Mellon Trust will add the amount of new mortgages issued to the market value and subtract the principal amount of weekly principle and interest payments received from Wells Fargo. DB Fitzpatrick will update the worksheet on a monthly basis with the latest weighted averages for the portfolio. The interest accrual, price and cost value will be updated each month when received from Wells Fargo.

Determination of NAV and Pricing Controls

Following is a summary of the procedures that are performed each day to determine the NAV and the controls that accounting uses to verify accuracy and to identify potential problems.

Obtain Prices

1. Market quotations are received each afternoon from all of the pricing services.
2. FX rates are received from Reuters each afternoon.

3. The accountant runs an exception report to determine if any securities remain unpriced.
4. The accountant manually prices the securities on the exception report using one of the following methods, sequentially as necessary:
 - ☐ Check the other pricing services to see if any have priced the security that day.
 - ☐ Find the price on the Bloomberg terminal.
 - ☐ Ask the advisor to provide the market price.
 - ☐ Use the latest price from the system (stale price).
 - ☐ If the security was recently purchased for the account, use the purchase price.

NAV Pricing Controls and Procedures

1. After systemic and manual pricing, the accountant runs the exception report to ensure no securities remain unpriced.
2. The accountant runs the Price Variance Report which provides all securities that increased or decreased more than the standard tolerance (6% for equity issues, 3% for bond issues) from the previous day's price.
3. The accountant confirms the securities on the Price Variance Report to ensure accurate pricing. Confirmation can be done by verifying to a second price source, checking corporate actions, reviewing news stories related to the issue and reviewing general market movements.
4. For any security with a variance of more than 15%, an accounting manager will review the information from the accountant to ensure accuracy.
5. The accountant reviews the ending market value for each account and the percentage change from the previous day's market value to ensure reasonableness related to that day's general market movement. If the market value is not found to be reasonable, an accounting manager will review the information from the accountant. If still unresolved, the accounting manager will review other activity for the account that day until resolution is completed.

NAV Reporting

After the NAV Pricing Controls and Procedures have been completed, the NAV for the Total Return Fund is distributed in the following manner:

- ☐ E-mail to PERSI and Dreyfus Retirement Services
- ☐ Confirmation fax to Dreyfus Retirement Services